No. 15-777

Supreme Court, U.S.
FILED
AUG 5 - 2016
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

SAMSUNG ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC., SAMSUNG TELECOMMUNICATIONS AMERICA, LLC,

Petitioners,

v.

APPLE INC.,

Respondent.

On Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

BRIEF OF TIFFANY AND COMPANY, ADIDAS AG, AND JENNY YOO COLLECTION, INC., AS AMICI CURIAE IN SUPPORT OF RESPONDENT

MICHAEL J. GOTTLIEB
Counsel of Record
JESSICA E. PHILLIPS
CAIN M. NORRIS
BOIES, SCHILLER & FLEXNER LLP
5301 Wisconsin Ave., N.W.
Washington, D.C. 20015
(202) 237-2727
MGottlieb@bsfllp.com

Counsel for Amici Curiae

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES iii

INTEREST OF AMICI CURIAE 1

SUMMARY OF ARGUMENT 1

ARGUMENT 3

I. DESIGN PATENTS PROVIDE IMPORTANT INTELLECTUAL PROPERTY PROTECTION FOR ESTABLISHED AND EMERGING DESIGNERS IN THE FASHION INDUSTRY 3

A. The Fashion Industry is an Important Driver of U.S. Economic Growth 3

B. Innovative Design is Critical to the Fashion Industry 5

C. Design Pirates Cause Substantial Economic and Creative Harm to both Established and Emerging Fashion Designers 7

D. Design Patents are an Important Tool for Designers to Protect Their Designs 11

II. FURTHER LIMITING THE TOTAL PROFITS DAMAGES REMEDY WOULD HARM THE FASHION INDUSTRY AND THE U.S. ECONOMY 14

A. The Total Profits Remedy Effectively Dissuades Design Pirates 15

B. Without a Meaningful Remedy, Design Patents Cannot Create the Incentives Necessary to "Promote the Progress of ... Useful Arts" 17

C. This Court Should Not Ignore the Plain Language of § 289 and Congress's Plain Intent in Passing It Based on Hypothetical Policy Concerns 20

CONCLUSION 21

TABLE OF AUTHORITIES

Cases

Birdsall v. Coolidge,
93 U.S. 64 (1876) 17

Fashion Originators Guild of Am., Inc., v. Fed. Trade Comm'n,
114 F.2d 80 (2d Cir. 1940) 12

Fruit of the Loom, Inc. v. Girouard,
994 F.2d 1359 (9th Cir. 1993) 6

Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.,
111 F.3d 993 (2d Cir. 1997) 13

Jay Franco & Sons, Inc. v. Franek,
615 F.3d 855 (7th Cir. 2010) 14

Octane Fitness, LLC v. Icon Health & Fitness, Inc.,
572 U.S. __ (2014) 18

Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc.,
490 F.2d 1092 (2d Cir. 1974) 13

Wal-Mart Stores Inc. v. Samara Brothers, Inc.,
529 U.S. 205 (2000) 14, 16

Constitutional Provisions

U.S. CONST. art. I, § 8, cl. 8 19

Statutes

15 U.S.C. § 1127 13

17 U.S.C. § 1302 12

35 U.S.C § 171 11

35 U.S.C. § 173 11

35 U.S.C. § 283 ..... 15, 16

35 U.S.C. § 284 ..... 15, 16, 17

35 U.S.C. § 285 18

35 U.S.C. § 289 ..... passim

Regulations

80 Fed. Reg. 17,918 (Apr. 2, 2015) 11

Other Authorities

Biana Borukhovich, *Fashion Design: The Work Of Art That Is Still Unrecognized In The United States*, 9 WAKE FOREST INTELL. PROP. L.J. 155 (2009) 7, 8, 9

Bureau of Labor Statistics, U.S. Dep't Of Labor, *Occupational Outlook Handbook: Fashion Designers* (2014-2015 ed.) 6

Council of Fashion Designers of Am., *CFDA Applauds Design Prohibition Act* (Dec. 31, 2009) 7

Diane von Furstenberg, *Fashion Deserves Copyright Protection*, L.A. Times, Aug. 24, 2007 10

Econ. Info. & Research Dep't of L.A. Cty. Econ. Dev. Corp., *Los Angeles Area Fashion Industry Profile* (2004) 4

Elizabeth Ferrill & Tina Tanhehco, *Protecting the Material World*, 12 N.C. J. L. & TECH. 251 (2011) 7, 8

H.R. Rep. No. 49-1966 (1886) 5, 17, 20

Joint Econ. Comm., U.S. Cong., *The Economic Impact of the Fashion Industry* (Sept. 2015) 4, 5

Karl T. Ulrich & Steven D. Eppinger, *Product Design and Development* (5th ed. 2012) 5

Laura C. Marshall, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTELL. PROP. L. 305 (2007) 6

N.Y.C. Econ. Dev. Corp., *Fashion.NYC.2020* (2012) 4

OECD & EUIPO, *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact* (2016) 9

S. Rep. No. 49-206 (1886) 17, 19

Susan Scafidi, Intellectual Property and Fashion Design, in 1 Intellectual Property and Information Wealth 115 (Peter K. Yu ed., 2006) 12

Susan Scafidi, *Written Statement on H.R. 5055, The Design Piracy Prohibition Act* 2 (July 27, 2006) 6

U.S. Patent & Trademark Office, Design Patents, January 1, 1991—December 31, 2015 (Mar. 2016) 12

U.S. Patent & Trademark Office, Manual of Patent Examining Procedure (2015) 11

INTEREST OF AMICI CURIAE[1]

Amici curiae are members of the fashion industry who have secured design patents to help protect their innovative designs.

For almost 180 years, amicus Tiffany & Co. has been one of the most iconic luxury brands in American fashion. Amicus Adidas AG is one of the largest sportswear manufacturers in the world. Amicus Jenny Yoo Collection, Inc., is an American innovator in bridal fashion. Amici make substantial investments in developing novel designs, and have been securing design patents since the nineteenth, twentieth, and twenty-first centuries respectively to protect their innovations from design pirates.

Amici have an interest in highlighting the unique function of design patents in the fashion industry, which differs in various ways from the technology industry highlighted in the parties' briefs. Moreover, the Court's decision in this case will directly affect the value of amici's design patents and by extension the distinctive designs that those patents protect.

SUMMARY OF ARGUMENT

The fashion industry is of critical social, cultural, and economic significance. It is a $1.2 trillion global industry based on the constant creation of fresh and groundbreaking designs.

---

[1] Pursuant to Supreme Court Rule 37.3(a), all parties have consented to the filing of this brief. Pursuant to Rule 37.6, amici certify that no counsel for a party authored this brief in whole or in part, and no persons other than amici curiae or their counsel made a monetary contribution to its preparation or submission.

Fashion designers invest enormous amounts of capital, time, and sweat equity in creating innovative designs that capture consumers' attention and drive consumption. Design pirates capitalize on the huge investments made by fashion designers by copying only popular and successful designs. They operate swiftly and anonymously from off-shore havens, producing low-cost, high-volume knockoff goods that saturate the market and prevent legitimate designers from reaping the rewards of their investments. In doing so, design pirates create a disincentive to invest in future designs and inhibit creativity.

Enforcing intellectual property rights against design pirates is notoriously difficult. Although trademark law and copyright law provide protection for some design elements—trademark protects a recognizable logo, name, or mark while copyrights protect specific aspects of a garment such as the fabric design or individual pattern—they do not protect the overall appearance of most fashion designs. Design patents do provide protection to fashion designers for new, original, and ornamental designs for articles of manufacture but it is still extremely difficult to enforce design patent rights against design pirates, who often are anonymous, fly-by-night, off-shore entities. Because the inherent limitations of these intellectual property regimes leave fashion designers open to encroachment of design pirates, the total profits regime enshrined in § 289 of the Patent Act (35 U.S.C. § 289) is critical to address the harm caused by design piracy. The total profits rule helps to ensure that designers have the appropriate incentives and rewards to make investments in

innovative designs. By ensuring that a design pirate cannot profit from design patent infringement, § 289 discourages many would-be design pirates and, consequently, encourages investment in creative designs.

Rewriting § 289 to limit a design patentee's remedy to the portion of the infringer's profits that the patentee can prove is due to the patented design elements, rather than the infringer's total profits on the article of manufacture, would significantly reduce the protection provided by design patents. Other measures of damages cannot provide the same level of deterrence. And engrafting an apportionment damages scheme onto design patents would increase the costs of enforcing design patents while decreasing the efficiency of litigation and the likelihood of settlement. Moreover, the Court should not ignore the original intent of § 289, which applies to *any* article of manufacture to which a patented design is applied, by prioritizing hypothetical and speculative concerns over the very real concerns of the fashion industry.

ARGUMENT

I. Design Patents Provide Important Intellectual Property Protection for Established and Emerging Designers in the Fashion Industry

A. The Fashion Industry is an Important Driver of U.S. Economic Growth

The fashion industry represents one of the largest drivers of economic growth in the United States, with nearly $370 billion spent annually on

apparel and footwear in America. Joint Econ. Comm., U.S. Cong., *The Economic Impact of the Fashion Industry* at 1 (Sept. 2015), available at http://www.jec.senate.gov/public/_cache/files/2523ae10-9f05-4b8a-8954-631192dcd77f/jec-fashion-industry-report----sept-2015-update.pdf. New York, which is the largest retail market in the country and the fashion capitol of the United States, generates more than $18 billion in annual retail sales. *Id.* at 3. New York Fashion Week's yearly economic impact includes approximately $532 million in direct visitor spending and $865 million in total economic impact each year. N.Y.C. Econ. Dev. Corp., *Fashion.NYC.2020* 10 (2012), available at http://www.nycedc.com/resource/fashionnyc2020.

The fashion industry employs more than 1.8 million workers across the country in a wide range of occupations, including computer programmers, lawyers, accountants, copywriters, social media directors, project managers, sewing machine operators, tailors, fabric and apparel patternmakers, and, of course, fashion designers. Joint Econ. Comm., *supra*, at 1-2. There are roughly 18,000 fashion designers working in the United States—a figure that has grown by over 50 percent in the past ten years. *Id.* at 2.

The fashion industry is structurally and organizationally diverse. *See* Econ. Info. & Research Dep't, L.A. Cty. Econ. Dev. Corp., *Los Angeles Area Fashion Industry Profile* (2003), available at http://www.laedc.org/reports/fashion-2003.pdf (noting that fashion "is a highly sophisticated industry involving fashion & market research, brand licensing/intellectual property rights, design, materials engineering ..., product

manufacturing, marketing, and finally distribution").

It includes large design houses, independent one-person design shops, wholesalers, and major international retailers. Although the fashion industry in the United States is concentrated in New York and California, "fashion is now having a big economic impact not only in fashion centers on the coasts, but also in smaller cities around the country." Joint Econ. Comm., *supra*, at 1. Dallas, Kansas City, Columbus, and Nashville are emerging as fashion centers and are producing designers that are impacting trends in the industry *Id.* at 4.

B. Innovative Design is Critical to the Fashion Industry

Fashion designers are "the profession at the heart of the industry's creative process." *Id.* at 2. It is a designer's inventive and fresh designs that inspire consumers, capture the attention of the fashion media, and allow fashion designers to compete with one another for sales. As Congress recognized more than a century ago, "it is the design that sells the article." H.R. Rep. No. 49-1966, at 3 (1886).

Fashion designs serve as a form of self-expression for consumers who purchase clothing, shoes, or accessories from their preferred designers. "An attractive product may be associated with high fashion and image and will likely create a strong sense of pride among its owners." Karl T. Ulrich & Steven D. Eppinger, *Product Design and Development* 213 (5th ed. 2012). Indeed, consumers purchase fashion not only for utilitarian reasons

but also to make a fashion statement. *Fruit of the Loom, Inc. v. Girouard*, 994 F.2d 1359, 1361 (9th Cir. 1993) (noting that allegedly infringing underwear was purchased "for a fashion statement" and not for "utilitarian purposes" and that they were "chosen with care"); *see also* Susan Scafidi, *Written Statement on H.R. 5055, The Design Piracy Prohibition Act* 2 (July 27, 2006) ("Fashion, however, is not just about covering the body—it is about creative expression."). Participating in trends and being "in-fashion" is one way in which individuals engage in social life. Promoting innovation in fashion by protecting fashion designs therefore has an inherent social and cultural benefit.

Because innovative design is so important in the fashion industry, designers invest substantial time, effort, and resources in designs that are original, groundbreaking, and that have consumer appeal. A designer typically spends eighteen to twenty-four months from the time the design is first sketched to the manufacture of the final product. Laura C. Marshall, *Catwalk Copycats: Why Congress Should Adopt a Modified Version of the Design Piracy Prohibition Act*, 14 J. INTELL. PROP. L. 305, 311 (2007); *see also* Bureau of Labor Statistics, U.S. Dep't Of Labor, *Occupational Outlook Handbook: Fashion Designers* (2014-2015 ed.), available at http://www.bls.gov/ooh/arts-and-design/fashion-designers.htm#tab-3 (2007) (noting that "fashion designers work many hours to meet production deadlines or prepare for fashion shows"). After a design debuts on the runway, it may still take another four months for the product to reach a retail store. Elizabeth Ferrill & Tina Tanhehco,

Protecting the Material World, 12 N.C. J. L. & TECH. 251, 264 (2011). Just one season for a fashion design can cost millions of dollars. *Id.*

Given the substantial economic stakes, ensuring effective and thorough protection of original designs from knockoff artists is a high priority for fashion designers. A total profits damages regime helps to ensure that investments in innovative designs are properly incentivized and rewarded.

C. Design Pirates Cause Substantial Economic and Creative Harm to both Established and Emerging Fashion Designers

Fashion designers and the fashion industry are under siege from legions of design pirates and knockoff artists. Often these design pirates are anonymous, off-shore entities that strategically produce low-cost, high volume copies of popular and successful designs, thereby capitalizing on the investments made by fashion designers at great economic and creative harm to those designers and the industry as a whole.

Design piracy "describes the increasingly prevalent practice of enterprises that seek to profit from the invention of others by producing copies of original designs under a different label." Council of Fashion Designers of Am., *CFDA Applauds Design Prohibition Act* (Dec. 31, 2009), http://cfda.com/the-latest/cfda-applauds-design-prohibition-act. Design piracy is distinct from counterfeiting, which is "the practice of imitating fashion designs with the intent to deceive buyers of the apparel's true content or origin by mimicking the details of the design and the name brand logo." Biana Borukhovich, *Fashion*

Design: The Work Of Art That Is Still Unrecognized In The United States, 9 WAKE FOREST INTELL. PROP. L.J. 155, 156 (2009). Counterfeiting is a type of design piracy because "[o]ne has to copy the design first before attaching the counterfeit label. Design piracy is counterfeiting without the label." *Id.* (citing Laura Goldman, Fashion Piracy, BPCOUNCIL (2007)).

Although design piracy is not new, it has been exacerbated by technology and increased information dissemination, the sum of which allows copying to occur faster, on a larger scale, and at a lower cost than ever before. When design piracy thrives, the investment of capital, time, and effort designers make to produce their original designs is eviscerated. In contrast to the two-year time-frame high-end designers invest in their designs, design pirates take as few as four to six weeks to get their products to the market. Ferrill & Tanhehco, *supra*, at 264. High-end designs are available on the internet within hours of debuting on the runway or the red carpet. *Id.* at 266. Fashion websites and celebrity blogs display photographs of the designs from every angle, and often include close up images of design details with accompanying editorial descriptions of the designs. *Id.* Technology thus ensures that design pirates not only do not need to wait for the originals to hit the showroom floors, but they need not incur the expense of traveling to the runway shows or the red carpet events to copy designs for mass production. *Id.* Indeed, a pattern based on a website photograph or Internet broadcast of a runway show can be transmitted electronically to a low-cost contract manufacturer who can produce products in high volumes. And

electronic communications and express shipping ensure that finished products are brought to market on an express timeframe.

Design piracy causes substantial economic harms. Earlier this year, the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD) issued a report that found that the value of imported fake goods worldwide was $461 billion in 2013.[2] *See* OECD & EUIPO, *Trade in Counterfeit and Pirated Goods: Mapping the Economic Impact* 11 (2016), available at www.oecd.org/governance/trade-in-counterfeit-and-pirated-goods-9789264252653-en.htm. The report noted that U.S., Italian, and French brands were the hardest hit. *Id.* at 50. The report also found that the United States was "[t]he top countr[y] whose companies had their intellectual property rights infringed" and that those companies' "brands or patents were affected by 20% of the knock-offs...." *Id.* A similar report from 2008 found that counterfeiting and design piracy cost the U.S. economy between $200-$250 billion per year, and that knockoff merchandise was responsible for the loss of 750,000 American jobs. Borukhovich, *supra*, at 157 (citing Int'l Anticounterfeiting Coal., GET REAL – *The Truth About Counterfeiting* (2008)).

---

[2] The report includes figures on counterfeit and knockoff goods. Because design piracy is not a criminal offense in the United States, it is difficult to find figures for knockoffs apart from counterfeits. However, because counterfeiting is a type of design piracy (*see supra* at 8), these figures serve as a meaningful proxy for the economic consequences caused by knockoffs.

Knockoffs affect established designers through the loss of substantial revenue and exclusive control over the use of original designs, but fashion piracy has an especially devastating impact on emerging designers. While established fashion designers and couture houses have the resources to survive copycat designs, knockoffs can and have stalled the rise of emerging designers, who "remain vulnerable to knockoff artists" who "can effectively put young designers out of business before they even have a chance." Diane von Furstenberg, *Fashion Deserves Copyright Protection*, L.A. Times, Aug. 24, 2007, http://www.latimes.com/opinion/la-oew-furstenberg24aug24-story.html. Design piracy devalues the designer's creation before he or she can reap any return on the investment.

Knockoffs further harm established and emerging designers alike by disincentivizing creative design efforts. Developing fashion designs is neither easy nor inexpensive. As described above, it is a time-intensive, iterative process that may or may not result in a commercial success. It is not easy for fashion designers to predict what will resonate with the consuming public given how swiftly the fashion winds shift. And many fashion designs never make it to the runway or the showroom. Design pirates avoid the costs associated with creating original designs through that trial and error process and capitalize on the investments made by the fashion designers at a fraction of the cost by only copying popular and successful designs. If efforts by knockoff artists are not dissuaded by the threat of an intellectual property regime with appropriate remedies, there is far less of an incentive for fashion designers to

continue to invest the time, effort, and funds to produce goods that will resonate with consumers.

D. Design Patents are an Important Tool for Designers to Protect Their Designs

Design patents are an important tool for fashion designers because they offer protection for original designs where other intellectual property regimes fall short.

Design patents provide patent protection to inventors of "new, original, and ornamental design for an article of manufacture." 35 U.S.C § 171. These patents protect the way something looks, as opposed to more commonly known utility patents, which protect the way something is used and works. U.S. Patent & Trademark Office, Manual of Patent Examining Procedure §1502.01 (2015), available at https://mpep.uspto.gov/RDMS/MPEP/current#/current/d0e150114.html (noting as a point of contrast that "a utility patent protects the way an article is used and works, while a design patent protects the way an article looks"). The design for an article consists of the visual characteristics embodied in or applied to an article. *Id.* at § 1502. The subject matter of a design patent application may relate to the configuration or shape of an article, to the surface ornamentation applied to an article, or to the combination of configuration and surface ornamentation. *Id.* Design patents grant the patent owner a statutory limited monopoly for 15 years from the date of grant (or 14 years for applications filed before May 13, 2015), and are not renewable. 35 U.S.C. § 173; 80 Fed. Reg. 17,918, 17,918 (Apr. 2, 2015).

Fashion designers have increasingly turned to design patents to protect their original creations.[3] In part, this is because fashion design lacks protection against copying under other intellectual property regimes in the United States. While certain design elements may be protected through the application of copyright, trademark, or trade dress law, the overall appearance of most fashion designs is still vulnerable to the encroachment of design pirates. *See* Susan Scafidi, Intellectual Property and Fashion Design, in 1 Intellectual Property and Information Wealth 115, 121 (Peter K. Yu ed., 2006).

For example, copyright laws provide minimal protection for fashion designs. A fashion design does not receive copyright protection if it is "embodied in a useful article that was made public by the designer or owner in the United States or a foreign country more than 2 years before the date of the application for registration" under the Copyright Act. 17 U.S.C. § 1302. Courts have held that articles of clothing are "useful articles" not generally granted copyright protection. *See, e.g., Fashion Originators Guild of Am., Inc., v. Fed. Trade Comm'n*, 114 F.2d 80, 84 (2d Cir. 1940) (stating that dress designs are not copyrightable and "fall into the public demesne without reserve"), *aff'd* 312 U.S. 457 (1941). Copyrights are thus only available to protect specific parts of a garment or accessory such as the fabric design or individual

---

[3] Although statistics are not available for all fashion-related design patents specifically, design patent applications have increased overall each year since 2009. *See generally* U.S. Patent & Trademark Office, Design Patents, January 1, 1991–December 31, 2015 (Mar. 2016).

patterns for each garment, but not the entire design of the item. *See, e.g., Soptra Fabrics Corp. v. Stafford Knitting Mills, Inc.*, 490 F.2d 1092, 1094 (2d Cir. 1974).

Trademark law is limited in its protection of fashion designs because it protects only a recognizable logo, name, or mark. To achieve trademark protection under the Lanham Act, the name or logo must distinguish it from other goods in commerce. 15 U.S.C. § 1127. Thus, if a designer as a matter of taste or marketing chooses not to have a visible logo on a design, then trademark laws will not provide any protection for that design. In addition, established and prominent fashion houses are more likely to be protected by trademark law because their famous brands have acquired distinctiveness. Emerging designs, by contrast, do not yet have the benefit of name recognition.

Trade-dress law is a subset of trademark law, and it also provides only limited protection for fashion designs. Trade dress is the totality of elements in which a product or service is packaged or presented. The elements combined create a whole visual image for a consumer and may be protected if it becomes a type of identifier or symbol of the source of origin. *See Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993, 999 (2d Cir. 1997) (holding that trade dress "encompasses the design and appearance of the product together with all the elements making up the overall image that serves to identify the product presented to the consumer"). This Court has held that product designs like garments are never "inherently distinctive" or intrinsically capable of source

identification. *Wal-Mart Stores Inc. v. Samara Brothers, Inc.*, 529 U.S. 205, 209-215 (2000).

Because U.S. copyright, trademark, and trade-dress laws offer incomplete protection for fashion designs, designers need the protection afforded by patent designs—and its total profits remedy provision—to protect clothing and accessories from design pirates and knockoff artists.

II. FURTHER LIMITING THE TOTAL PROFITS DAMAGES REMEDY WOULD HARM THE FASHION INDUSTRY AND THE U.S. ECONOMY

The efficacy of design patents will be significantly reduced if this Court rewrites § 289 to limit a design patentee's remedy to the portion of the infringer's profits that the patentee can prove is attributable to the patented design elements, rather than the infringer's total profits on the article of manufacture. As discussed, the remedy for design patent infringement is generally the only remedy available to fashion designers for piracy of their creative works. *Jay Franco & Sons, Inc. v. Franek*, 615 F.3d 855, 860 (7th Cir. 2010). Weakening that remedy therefore weakens fashion designers' right to their designs and by extension weakens the incentive for designers to innovate—both by reducing the likely gains from innovation and by increasing the likely gains from design piracy. With less protection from knockoffs and copycats, fashion designers, as well as the American fashion industry and the U.S. economy as a whole, will suffer.

A. The Total Profits Remedy Effectively Dissuades Design Pirates

Section 289 ensures that a design pirate cannot profit from design patent infringement and thus discourages most would-be infringers—particularly large, high-volume infringers who have little hope of avoiding detection. Importantly, § 289 is in many cases the only effective deterrent available to fashion designers.

Without the total profits remedy, design innovators would be forced to rely on the general measure of patent damages found in § 284. Under that provision, design infringers could expect that even if their infringement was detected and litigated, they would pay only a "reasonable royalty" for the infringing design. Given the investments required to bring fashion products to market, such a royalty award might well leave the infringer better off for having infringed the design patent. Consequently, the threat of such an award will have little to no deterrent effect. Likewise, the other measure of damages in § 284, damages sufficient to compensate the patentee for their losses, is unlikely to deter design pirates. Design patentees face intense challenges proving causation and damages from infringement, especially where, as in the fashion industry, the patentee primarily sells its original designs into a different market segment than the ones in which infringers sell their knockoffs.

Other remedies, such as injunctions from the International Trade Commission or the courts under § 283 are also unlikely to deter infringement in fast-moving industries like fashion. It takes time

for design patentees to detect infringement, identify the infringing entity, send cease-and-desist letters, and eventually institute litigation (assuming the infringing party can be identified and located); it takes longer still to secure an injunction. Obtaining an exclusion order to enable Customs enforcement of a design patent is no faster. Given the speed of the fashion trend cycle, and the fly-by-night character of many overseas infringers, design pirates would likely conclude in many cases that infringement would likely be profitable despite the risk of an injunction—an assessment they are less likely to make when the design patent owner is backed by a plausible threat of disgorging the infringer's total profits. *Cf. Wal-Mart Stores*, 529 U.S. at 214 (noting the deterrence effect from "the plausible threat of successful suit"). The time, expense, and difficulty of even identifying and locating design pirates, along with the time and expense of litigation, already make effective design patent enforcement unusually difficult. A new interpretation of § 289, significantly reducing a design pirate's expected losses in litigation, would make it harder still, rendering the patent right functionally worthless in many cases.

Given the inability of §§ 283 & 284 to provide meaningful deterrents to design patent infringement and given the limited protection provided to fashion designs by other intellectual property regimes, the total profits remedy of § 289 stands as the only statutory tool capable of deterring design pirates.

B. Without a Meaningful Remedy, Design Patents Cannot Create the Incentives Necessary to "Promote the Progress of ... Useful Arts"

As Congress recognized in enacting the predecessor to § 289, when the courts require patentees to apportion profits attributable to the patented design, "the design patent laws provide no effectual money recovery for infringement." H.R. Rep. No. 49-1966, at 1 (1886). Congress likewise recognized that the threat of a significant damages award—total profits—was so essential to the aims of the Design Patent Act that apportionment of profits "virtually repeal[s] the design patent laws." S. Rep. No. 49-206, at 2-3 (1886).

The total profits remedy in § 289 is largely motivated by deterrence, rather than compensation. Design pirates usually sell their knockoffs at lower—often much lower—prices than the patented original design. Reasonably assuming that innovators sell their patented designs at profit-maximizing prices, a design patentee is not made whole by taking an infringer's total profits from lower cost sales (even ignoring the costs of litigation). *Cf. Birdsall v. Coolidge*, 93 U.S. 64, 69-70 (1876) (discussing "manifest injustice" of limiting damages to the infringer's profits, where the patentee's losses are likely greater). By contrast, the generally applicable patent remedies of § 284 "award the claimant damages adequate to compensate for the infringement." Section 289 focuses instead on the infringer's gains, rather than the patentee's losses, in order to create a compelling deterrent not hamstrung by the difficulty of

discerning what would have happened but for the infringement.

Injecting a complex apportionment inquiry into design patent cases would significantly increase the cost to fashion designers of enforcing their design patents. Patentees would face increased attorney's fees and fees for the experts necessary to meet a new evidentiary burden on apportionment. Those increased costs are only recoverable in "exceptional cases," 35 U.S.C. § 285, which the district courts identify "in the case-by-case exercise of their discretion, considering the totality of the circumstance," after the fact. *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, slip op. at 8, 572 U.S. __ (2014).

Fashion design patentees' expected costs to enforce their design patents would further increase under an apportionment scheme because infringers would have much less of an incentive to settle. Under § 289 as written, a design pirate receiving a cease-and-desist letter from a design patent owner knows exactly how much it has to lose in litigation: its own total profits. These certainties create a strong incentive for design patent infringers to settle unless there are very substantial validity or infringement disputes. If the Court were to rewrite § 289 and alter the total profits remedy, infringers would be far more likely to take their chances with litigation in the hopes of coming out ahead after paying a fraction of their total profits in damages.

In addition to increasing costs, reading an apportionment requirement into § 289 would also be inefficient in the design patent context. Indeed, Congress recognized that the value of an aesthetic

feature protected by a design patent is often subjective and difficult to quantify. S. Rep. No. 49-206, at 1. For example, often design pirates will copy unique patented designs that constitute a portion of a greater design; for example, metal corners on an Alexander Wang handbag or the sole of a Timberland shoe. Although the copied design constitutes only a portion of the complete design, it is often the case that the copied portion of the design (*i.e.*, the hardware on the handbag or the sole of the shoe) resonates with consumers and drives demand for the overall article of manufacture. Congress designed § 289 in the first instance to overcome such allocation problems for design patents.

In short, faced with the certainty of higher costs, which are only recoverable in exceptional cases, reduced odds of settlement, and the increased uncertainty of recovering only apportioned profits, design innovators would be less likely to find it economically rational to enforce their design patents. When enforcement is less likely, the expected gains from infringement are higher; as a result, infringement is more likely. If the remedy for infringement of design patents neither dissuades design pirates from infringing nor compensates design innovators for infringement, then the patents will be unable to "promote the Progress of ... useful Arts" as the Constitution commands. Art. I, § 8, cl. 8.

C. This Court Should Not Ignore the Plain Language of § 289 and Congress's Plain Intent in Passing It Based on Hypothetical Policy Concerns

This Court should decline Petitioners' invitation to rewrite the design patent damages regime that Congress established in § 289 based upon the representation that certain technology companies do not need design patents as much as other industries, such as fashion. *See* Pet. Br. at 25 (contrasting protection of "carpets, wallpapers, and oil-cloths" with "complex products like smartphones"). Petitioners' amici explicitly argue that "Congress's 1887 assumption that 'it is the design that sells the article' may still be true of carpets, but it surely is not true of all products covered by design patents today," Profs. Br. at 4 (footnote omitted), and further that the Court should abandon the plain text of § 289 because "most modern products are complex, multicomponent creations covered by multiple patents," Engine Advocacy Br. at 7.

As Respondent shows (Br. 14-16), the account of design history presented by Petitioners and their amici is decidedly incomplete. And § 289 does not distinguish between different types of products. If Petitioners think that the law should make such a distinction, or that the law ought to be adjusted based on the hypothetical and speculative concerns of some—but by no means all—representatives of the technology sector, those arguments must be addressed to Congress, not to this Court. For the fashion industry, it is as true today as it was more than a century ago that "it is the design that sells the article." H.R. Rep. No. 49-1966, at 3 (1886).

The American fashion industry increasingly focuses on design, rather than on manufacturing that can be done more cheaply overseas. And for fashion, just as in other fields where manufacturing has been outsourced to lower-cost countries while design remains in America, intellectual property protections are more important now than ever. Without effective protection for "the design that sells the article," American designers cannot expect to turn a profit and thus cannot justify investment in innovation. Such investment is essential to maintain both the cultural and the economic contributions of the fashion industry.

Section 289 is essential policy as applied to fashion designs and decorative arts that—as even Petitioners acknowledge—Congress expressly sought to protect by enacting § 289. *See* Pet. Br. at 2. Petitioners' effort to have this Court rewrite § 289 to prioritize their individual needs should be rejected. Determining whether to reweigh the interests of various industries, or to craft a new law to strike a new balance among industrial interests, is a task committed to the Legislative Branch.

CONCLUSION

For the reasons herein, amici respectfully request that the Court affirm the judgment of the court of appeals.

Respectfully submitted,

MICHAEL J. GOTTLIEB
Counsel of Record
JESSICA E. PHILLIPS
CAIN M. NORRIS
BOIES, SCHILLER & FLEXNER LLP
5301 Wisconsin Ave. NW
Washington, DC 20015
(202) 237-2727
MGottlieb@bsfllp.com
JPhillips@bsfllp.com
CNorris@bsfllp.com

August 5, 2016